

[DOE DEPARTMENT CIRCULAR NO. DC2009-05-0006, May 05, 2009]

VISAYAS SUPPLY AUGMENTATION AUCTION (VSAA) RULES

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), declared as a policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power, protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power, and encourage the efficient use of energy and other modalities of demand side management;

WHEREAS, Republic Act No. 7638, or the "Department of Energy Act of 1992", as amended by Section 37 of the EPIRA, authorized DOE to exercise supervision and control over all government activities relative to energy projects and to formulate rules and regulations necessary to implement the objectives of these laws;

WHEREAS, Section 37 (i) of EPIRA, specifically mandates the DOE to develop policies and procedures and, as appropriate, promote a system of energy development incentives to enable and encourage energy participants to provide adequate capacity to meet the demand including, among others, the reserve requirements;

WHEREAS, the availability and adequacy of electricity is necessary for the continuous operation of vital industries and thus it is incumbent upon the government to take the necessary measures to ensure that there will be no power interruptions in any part of the country;

WHEREAS, the current power situation in the Visayas Grid, as certified by the System Operator (SO) or the National Grid Corporation of the Philippines (NGCP), requires for additional power capacities to meet the increasing power needs and to maintain the mandatory energy reserve of the region;

WHEREAS, the new generating plants in the Visayas Grid as reported by the private proponents to the DOE are expected to come on stream by 2010 and 2011;

WHEREAS, the DOE conducted the Visayas Stakeholders' Meetings on January 15-16, 2009 where it presented and discussed the Visayas Supply Augmentation Auction Program (VSAAP);

WHEREAS, the DOE issued Circular No. DC2009-01-0001 on January 16, 2009, which directed DOE-attached agencies (PSALM, NPC, TransCo, and NEA), all power industry participants, consumers and various stakeholders to adopt and implement contingency measures to ensure adequate and reliable electric power supply in the Visayas grid particularly in the islands of Cebu, Negros, Panay and Bohol;

WHEREAS, under the said DOE Circular, the Philippine Electricity Market Corporation (PEMC), in coordination with the NGCP as the system operator, was directed to draft